

**USA CYCLING DEVELOPMENT FOUNDATION**  
**Financial Statements**  
**For the Year Ended December 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
USA Cycling Development Foundation  
Colorado Springs, Colorado

We have audited the accompanying financial statements of USA Cycling Development Foundation (a nonprofit corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of USA Cycling Development Foundation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Report on Summarized Comparative Information

We have previously audited USA Cycling Development Foundation's 2018 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated May 13, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Emphasis of Matter

As described in Note A to the financial statements, in 2019, USA Cycling Development Foundation adopted Accounting Standards Update (ASU) 2014-09, *(Topic 606): Revenue from Contracts with Customers*, ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10: Recognition and Measurement of Financial Assets and Financial Liabilities)*, ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10)*, and ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. Our opinion is not modified with respect to this matter.

*Waugh & Goodwin, LLP*

Colorado Springs, Colorado  
November 13, 2020

USA CYCLING DEVELOPMENT FOUNDATION  
Statement of Financial Position  
December 31, 2019  
(With Comparative Amounts for 2018)

	<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
CURRENT ASSETS:			
Cash and cash equivalents	\$	477,496	\$ 441,082
Short-term investments		2,399,699	2,600,556
Restricted investments		52,257	50,640
Accounts receivable		287,522	387,448
Prepaid expenses		6,865	2,117
Total current assets		3,223,839	3,481,843
LONG-TERM INVESTMENTS		2	3
EQUIPMENT - at cost:			
Office equipment		16,368	25,604
Less accumulated depreciation		(16,368)	(25,604)
Equipment - net			
TOTAL ASSETS	\$	<u>3,223,841</u>	\$ <u>3,481,846</u>
	<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:			
Accounts payable	\$	2,868	\$ 859
Accrued liabilities		1,316	8,038
Due to USA Cycling, Inc.		241,047	196,623
Total current liabilities		245,231	205,520
NET ASSETS:			
Without donor restrictions		2,476,205	2,893,823
Without donor restrictions - board designated		10,584	10,584
With donor restrictions		491,821	371,919
Total net assets		2,978,610	3,276,326
TOTAL LIABILITIES AND NET ASSETS	\$	<u>3,223,841</u>	\$ <u>3,481,846</u>

See Notes to Financial Statements

USA CYCLING DEVELOPMENT FOUNDATION  
Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2019  
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
REVENUE:				
Contributions	\$ 694,045	\$ 617,719	\$ 1,311,764	\$ 1,481,758
Fundraising events, net of costs of \$2,615 and \$11,623	109,360		109,360	109,140
In-kind services	40,000		40,000	40,000
Royalties and other income	4,857		4,857	9,685
Investment income (loss), net of investment fees of \$9,076 and \$9,979	446,831	1,617	448,448	(114,327)
Satisfied program restrictions	499,434	(499,434)		
Total revenue	1,794,527	119,902	1,914,429	1,526,256
EXPENSES:				
Program services:				
Programs and grants	1,831,354		1,831,354	1,632,346
Supporting services:				
Fundraising	261,791		261,791	285,901
Management and general	106,811		106,811	99,829
Board of directors	12,189		12,189	37,547
Total supporting services	380,791		380,791	423,277
Total expenses	2,212,145		2,212,145	2,055,623
CHANGE IN NET ASSETS	(417,618)	119,902	(297,716)	(529,367)
NET ASSETS, beginning of year	2,904,407	371,919	3,276,326	3,805,693
NET ASSETS, end of year	\$ 2,486,789	\$ 491,821	\$ 2,978,610	\$ 3,276,326

See Notes to Financial Statements



USA CYCLING DEVELOPMENT FOUNDATION

Statement of Functional Expenses

For the Year Ended December 31, 2019

(With Comparative Amounts for 2018)

	Programs & Grants	Fundraising	Management & General	Board of Directors	2019 Total	2018 Total
	\$	\$	\$	\$	\$	\$
Apparel & equipment						
Bank & credit card processing fees		3,925			3,925	2,213
Centers of Excellence	74,630				74,630	113,823
Contract services & fees		5,493	2,242		7,735	9,005
Equipment rental & repair		1,612			1,612	
Event costs		2,615			2,615	11,623
High Performance grant fund	36,000				36,000	24,798
Insurance				4,151	4,151	3,923
Gifts & awards		380			380	9,323
Grants to USA Cycling	1,575,382				1,575,382	1,338,752
John Stenner collegiate grants	3,482				3,482	3,878
Joshua Kuck Fund	4,000				4,000	4,000
Legal & professional fees			6,510		6,510	3,643
Management services	133,580	167,455	94,286	6,587	401,908	464,975
Newsletter	900				900	1,430
Office expense	549	1,817	2,738	155	5,259	2,462
Photos, prints & art work		1,339			1,339	
Postage	130	4,963	351	88	5,532	7,609
Printing		1,333	35		1,368	2,350
Telephone	265	1,858	266	265	2,654	1,297
Travel, food & lodging	2,436	67,025	383	943	70,787	55,762
Total expenses	1,831,354	264,406	106,811	12,189	2,214,760	2,067,246
Less expenses shown net of revenue on statement of activities		(2,615)			(2,615)	(11,623)
Expenses on statement of activities						
	\$ 1,831,354	\$ 261,791	\$ 106,811	\$ 12,189	\$ 2,212,145	\$ 2,055,623

See Notes to Financial Statements

USA CYCLING DEVELOPMENT FOUNDATION  
Statement of Cash Flows  
For the Year Ended December 31, 2019  
(With Comparative Amounts for 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (297,716)	\$ (529,367)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Net realized and unrealized (gains) losses on investments	(372,629)	196,136
(Increase) decrease in assets:		
Accounts receivable	99,926	(133,683)
Prepaid expenses	(4,748)	398
Increase (decrease) in liabilities:		
Accounts payable	2,009	859
Accrued liabilities	(6,722)	(4,912)
Due to USA Cycling, Inc.	<u>44,424</u>	<u>104,817</u>
Total adjustments	<u>(237,740)</u>	<u>163,615</u>
Net cash used by operating activities	(535,456)	(365,752)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in restricted short-term investments, net	(1,617)	(242)
Gross proceeds from short-term investments	928,290	143,742
Purchase of short-term investments	(385,092)	(283,807)
Proceeds from sale of long-term investments	<u>30,289</u>	<u>          </u>
Net cash provided (used) by investing activities	<u>571,870</u>	<u>(140,307)</u>
NET INCREASE (DECREASE) IN CASH	36,414	(506,059)
CASH AND CASH EQUIVALENTS, beginning of year	<u>441,082</u>	<u>947,141</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 477,496</u>	<u>\$ 441,082</u>

See Notes to Financial Statements



USA CYCLING DEVELOPMENT FOUNDATION  
Notes to Financial Statements  
For the Year Ended December 31, 2019

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The USA Cycling Development Foundation was incorporated as a nonprofit corporation in the State of Colorado on November 8, 1999. The purpose of the Foundation is to provide financial support to USA Cycling, Inc.

Accounting Standards Update

On January 1, 2019, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and FASB ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. These two ASUs were adopted together as of January 1, 2019, because they both establish standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. Adopting one ASU without the other would leave the accounting for some ongoing grants and contracts unresolved. ASU 2014-09 was adopted retrospectively for all periods presented. Accordingly, there is no effect on net assets in connection with implementation of the two ASUs.

On January 1, 2019, the Foundation also adopted ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, and subsequently issued related ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments - Overall (Subtopic 825-10)*, and elected early adoption for ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. These standards amend certain aspects of accounting and disclosure requirements for financial instruments, including the requirement that equity investments with readily determinable fair values are to be measured at fair value with any changes in fair value recognized in the statement of changes in net assets. The standards were adopted using the modified retrospective method and there is no effect on net assets with the implementation of the three ASUs.

## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Cash and Cash Equivalents

Cash and cash equivalents consist of the Foundation's checking and savings accounts. The Foundation maintains its cash and cash equivalents in a commercial credit union. In the unlikely event of the institution's failure, the Foundation could suffer a loss to the extent its deposits exceed the respective institution's insurance limits.

#### Accounts Receivable

Accounts receivable consists primarily of pledges receivable, contributions postmarked before year-end and billings for reimbursement of expenses. Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial. Therefore, no allowance for uncollectible accounts is considered necessary.

#### Equipment and Depreciation

Equipment is recorded at its original acquisition cost. Depreciation is recorded over the estimated useful lives of eighteen months to five years. Depreciation expense for the years ended December 31, 2019 and 2018, was \$0 each year.

#### Supplemental Cash Flow Information

During the years ended December 31, 2019 and 2018, the Foundation did not pay any interest or income taxes.

#### Income Tax

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. Accordingly, no income tax provision has been recorded. The Foundation is not a private foundation.

The Foundation's form 990, Return of Organization Exempt from Income Tax, is subject to examination by various taxing authorities, generally for three years after the date it was filed. Management of the Foundation believes that it does not have any uncertain tax positions that are material to the financial statements.



## Notes to Financial Statements

### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

#### Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as satisfied program restrictions.

#### Revenue from contracts with customers

The Foundation has no revenue sources that would be considered contracts with customers.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

#### Prior-Year Comparisons

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

#### Date of Management's Review

In preparing the financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through November 13, 2020, the date that the financial statements were available to be issued.

## Notes to Financial Statements

### B. AVAILABLE RESOURCES AND LIQUIDITY

The Foundation strives to maintain liquid financial assets sufficient to cover approximately two months of operating expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, and other investments.

The table below reflects the Foundation's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal Board designations.

Amounts not available include a Board-designated special projects fund that is intended to fund special Board initiatives not considered in the annual operating budget. In the event the need arises to utilize the Board-designated funds for liquidity purposes, the reserves could be drawn upon through Board resolution. Other amounts not available to meet general expenditures within one year also include net assets with donor restrictions.

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 477,496	\$ 441,082
Accounts receivable	287,522	387,448
Short-term investments	2,399,699	2,600,556
Restricted investments	<u>52,257</u>	<u>50,640</u>
Total financial assets	3,216,974	3,479,726
Less amounts not available to be used within one year:		
Board designated - John R. Stenner scholarship fund	(10,584)	(10,584)
Assets with donor restrictions (Note G)	<u>(491,821)</u>	<u>(371,919)</u>
Financial assets available within one year	<u>\$ 2,714,569</u>	<u>\$ 3,097,223</u>



## Notes to Financial Statements

### C. FAIR VALUE MEASUREMENTS

The Foundation applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation could access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels are reported at the end of the period.

#### Assets at Fair Value as of December 31, 2019

	Level 1	Level 2	Level 3	Total
Equities:				
Stocks	\$ 1,078,661	\$	\$	\$ 1,078,661
Mutual funds/ETFs	296,290			296,290
Publicly traded partnership	1,860			1,860
Closely held companies			2	2
Debt and fixed income				
Mutual funds/ETFs	999,704			999,704
Cash and money market	75,441			75,441
	<u>\$ 2,451,956</u>	<u>\$</u>	<u>\$ 2</u>	<u>\$ 2,451,958</u>

# Notes to Financial Statements

## C. FAIR VALUE MEASUREMENTS - Continued

### Assets at Fair Value as of December 31, 2018

Equities:				
Stocks	\$	274,408	\$	\$ 274,408
Mutual funds/ETFs		1,161,204		1,161,204
Closely held companies				
			3	3
Debt and fixed income				
Mutual funds/ETFs		1,090,085		1,090,085
Cash and money market		125,499		125,499
	\$	<u>2,651,196</u>	\$	<u>3</u>
				\$ 2,651,199

The investments in closely held companies at December 31, 2018 consisted of common shares of The FRS Company and a partnership interest in JH Investment Partners II, L.P. The Foundation has a small minority interest in both entities, with the majority owners being private equity firms. These equity investments do not have readily determinable fair values. There have been no observable price changes of The FRS Company since acquisition. The first observable price change for JH Investment Partners II, L.P. occurred during the year ended December 31, 2019, when the partnership was liquidated. Investment income for the year ended December 31, 2019 includes \$30,288 of gain on the liquidation.

The Foundation has attempted to obtain information from the closely held companies regarding observable price changes but has received no responses to the requests. The fair value used for the financial statements is cost plus or minus changes from observable price changes.

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) during the year ended December 31, 2019:

Beginning balance	\$	3
Liquidation of JH Investment Partners II, L.P.		(1)
Ending balance	\$	<u>2</u>



## Notes to Financial Statements

### C. FAIR VALUE MEASUREMENTS - Continued

Investment income (loss) in the accompanying statement of activities consists of the following for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Unrealized gains (losses)	\$ 319,484	\$ (207,145)
Realized gains	53,145	11,009
Interest and dividends	84,895	91,788
Investment fees	<u>(9,076)</u>	<u>(9,979)</u>
	<u>\$ 448,448</u>	<u>\$ (114,327)</u>

### D. RESTRICTED INVESTMENTS

The Foundation's restricted investments at December 31, 2019 and 2018, consisted of \$52,257 and \$50,640 respectively in a brokerage account with Stifel Nicolaus. This amount is restricted for the John Stenner Collegiate Scholarship program.

### E. RELATED PARTIES

USA Cycling, Inc. provided certain administrative services to the Foundation. The total cost of these services for the years ended December 31, 2019 and 2018, amounted to \$361,908 and \$424,975, respectively.

During the years ended December 31, 2019 and 2018, the Foundation provided grants in support of USA Cycling, Inc.'s programs in the amount of \$1,575,382 and \$1,338,752, respectively. Also, during the years ended December 31, 2019 and 2018, grant funds in the amount of \$14,924 and \$28,676, respectively, were provided to USA Cycling, Inc. in support of the High Performance Grant Fund and John Stenner Collegiate Grants. USA Cycling, Inc. also provides administrative services and office space to the Foundation at no cost. During the years ended December 31, 2019 and 2018, \$40,000 was recorded each year as in-kind services by the Foundation.

The Foundation is not controlled by USA Cycling, Inc. and therefore consolidated financial statements are not prepared. The Foundation has the ability to appoint four members to USA Cycling, Inc.'s Board of Directors.

# Notes to Financial Statements

## E. RELATED PARTIES - Continued

At December 31, 2019 and 2018, Foundation investments totaling \$2,451,958 and \$2,644,622, respectively, are held at a brokerage firm with which a Board Member is affiliated. Investment fees paid to the brokerage firm were \$9,076 and \$9,979 during the years ended December 31, 2019 and 2018, respectively.

## F. NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED NET ASSETS

At December 31, 2019 and 2018, the Board of Directors had designated \$10,584 of the Foundation's net assets without donor restrictions for Junior athlete travel scholarships.

## G. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY

Net assets with temporary donor restrictions assets consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
High performance grant fund	\$ 121,055	\$ 136,380
Cyclocross	93,122	45,000
Joshua Kuck Fund	56,744	55,644
Youth cycling initiative	55,000	
John Stenner Collegiate Scholarships	49,413	50,903
Women's endurance track	40,000	40,000
Steve Tilford fund	17,101	15,946
Women's road program	14,428	6,361
Junior program	13,952	13,285
Kelly Catlin Women's fund	11,925	
U23 programs	10,557	1,390
Mountain Bike program	3,400	2,500
Grief Collegiate Scholarship	2,535	2,510
Sprint Track	2,000	2,000
Men's U23 endurance track	589	
	<u>\$ 491,821</u>	<u>\$ 371,919</u>

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose. During the years ended December 31, 2019 and 2018, net assets were released from restrictions by satisfying the following purposes:



# Notes to Financial Statements

## G. NET ASSETS WITH DONOR RESTRICTIONS - TEMPORARY - Continued

	<u>2019</u>	<u>2018</u>
Cyclocross	\$ 185,237	\$ 15,000
Track development program	180,000	82,000
Women's endurance track	40,000	40,000
High performance grant fund	36,000	24,348
Men's U23 endurance track	25,000	
Mountain Bike program	25,000	18,750
Joshua Kuck Fund	4,000	4,000
John Stenner Collegiate Scholarships	3,482	3,878
Steve Tilford fund	515	
Centers of Excellence	200	80,007
USOPC matching program		50,000
Women's road program		25,000
Wyatt Weisel fund		450
	<u>\$ 499,434</u>	<u>\$ 343,433</u>

## H. SUBSEQUENT EVENT

Subsequent to year end, the outbreak of COVID-19 (coronavirus) has been recognized as a pandemic by the World Health Organization, and the outbreak has become increasingly widespread in the United States. The COVID-19 outbreak has had a notable impact on general economic conditions, including but not limited to the decline in global financial markets, temporary closures of many businesses, suspension or cancelation of sporting events, "shelter in place" and other governmental regulations and job losses. The extent to which the COVID-19 outbreak will affect the operations, collections or financial results of the Foundation is uncertain.